

# COMMISSION OF THE EUROPEAN COMMUNITIES

COM(91)399 final

Brussels, 25 October 1991

## IMPROVING THE COMPETITIVENESS OF THE COMMUNITY'S TEXTILE AND CLOTHING INDUSTRY

(Communication from the Commission to the Council  
and the European Parliament)

1

S U M M A R Y

This communication follows on from the annual report on the textile and clothing industry presented by the Commission in April 1991. In accordance with the principles set out in the Commission communication on industrial policy, it attempts to give a better definition of the challenges the industry is facing and to outline action which the Community could take to help with the structural adjustment of textile and clothing firms.

Structural adjustment of the industry will depend primarily on proper integration of the various links in the textile and clothing chain throughout the Community, emphasizing the strong points (specialization) and making production more complementary.

This will require a large-scale information and communication campaign, improvements in quality and widespread technological innovation.

If this restructuring is to be successful, a special effort will have to be made to encourage unprofitable companies to reconvert. They will require support in the form of complementary national and Community measures to create new jobs in other industries and to retrain workers employed in firms in those sectors of the industry being restructured.

Internationally, there is a move towards greater deregulation and the formation of a large market. This will bring opportunities but also constraints.

In order to support structural adjustment and to provide opportunities for its industry, the Community, in multilateral GATT negotiations, will continue with its attempts to open up the markets which provide important export potential for the Community industry. Another feature of commercial policy for the next century is to set up effective machinery to deal with the unfair and illegal practices which are typical of the textile and clothing industry.

## INTRODUCTION

In November 1990 the Commission proposed to the Council and to the European Parliament a Community approach to industrial policy in the present competitive environment.<sup>1</sup>

This communication applies the same approach to the textile and clothing industry, which is currently facing some major challenges and is forced to come to terms with structural change, which in some cases will be radical.

The aims of this communication are:

- to give a brief description of the structure of the industry and the problems it is facing;
- to propose a coherent set of measures which the Community and the Member States could adopt to improve the competitiveness of firms, particularly in the long term.

A structured Community-wide approach to the textile and clothing industry makes even more sense at a time when many Member States have recently started thinking about or preparing national action plans to cope with all the current problems and developments expected in the future. It is also important to ensure that the measures which will have to be taken by industry and, at various levels, by the public authorities are mutually compatible, and to avoid a situation where failure to establish clear guidelines produces results which will cause problems at Community level.

To this end, and in order to demonstrate its concern for the socio-economic problems which arise from changes to the industry, the Commission, at the General Affairs Council on 30 September, undertook to present structural measures to modernize and improve the competitiveness of the industry in Portugal and the other regions of the Community affected by the changes.

In general terms, most of the factual information referred to in this communication is in the annual report on the textile and clothing industry.<sup>2</sup> This document must be read in conjunction with that report.

---

1 Communication of the Commission to the Council and to the European Parliament on industrial policy in an open and competitive environment - COM(90)556 final of 16 November 1990.

2 SEC(91)405 final of 5 April 1991.

## A. THE EUROPEAN TEXTILE AND CLOTHING INDUSTRY

The Commission's latest annual report on the European textile and clothing industry paid particular attention to recent structural changes in the industry up to the beginning of 1991.

The purpose of this chapter therefore is to give a brief update and to describe the main features of the sector from an industrial point of view.

### 1. Recent developments

*The current economic position of the European textile and clothing industry is not very promising, and recently has suffered from structural deterioration.*

The slowdown in activity which affected the whole industry in the second half of 1990 has worsened in recent months.

Apart from sluggish final consumption and loss of their share of the Community market because of a recent increase in imports, European firms are increasingly obliged to sell their products at unprofitable prices in order to maintain levels of production. This has prompted many of them to rethink their strategies, and in some cases even to close down production units or file for bankruptcy. Even in those areas where the industry has been extensively restructured and modernized, it is not certain that firms will be able to improve their competitiveness in view of the serious implications of the present situation.

### 2. The importance of the industry

*The textile and clothing industry is of considerable economic and social importance in many areas of the Community and still has a highly complex and integrated structure. The various textile areas have their own distinctive features.*

There is a vast market for textile and clothing products in the Community. In 1989 households devoted 6% of their expenditure - some ECU 300 000 million - to the purchase of clothing and finished textile products for household use. In addition to household expenditure, industry and services purchased some 25% of all the fibres produced by the industry in Europe.

The textile and clothing industry is also important in terms of production. More than 3 million people work in the industry itself and its production accounts for 9% of value added by manufacturing industry. It is still absolutely vital in some of the less developed regions of the Community, particularly in those countries which joined the Community more recently.

It is a very diverse and very dynamic industry consisting largely of small firms, each with their own special features. Its organization is extremely complex, both because of the large number of different production stages and the variety of links which can exist between them.

Moreover, within the Community, there are marked structural differences between the nature and size of firms, their market niches, their commercial strategies (outward processing, shifting production abroad, etc.) or the volume of investment per employee.

These differences have not prevented increasing integration, which has resulted in rapid development of Community trade from the initial stages of production and an increasing number of takeovers and mergers in recent years.

### 3. Business strategies

*In order to meet the challenge to improve its competitiveness, the industry is in a state of flux throughout Europe.*

Europe's textile and clothing firms are increasing their efforts to cut costs and improve productivity. They are attempting to respond to changes in demand more swiftly and are constantly upgrading the fashion and style content of their products. They are striving to maintain a presence on world markets by adopting complementary production and logistics strategies (decentralization, subcontracting, shifting production abroad, etc.). These efforts at modernization and restructuring are taking place all the time and have led to extensive reductions in the workforce, a trend which will continue.

## B. OUTLOOK FOR THE FUTURE: CHALLENGES AHEAD

As with any sector of the economy, there are a number of different factors which affect development of the textile and clothing industry and the way it adjusts to other aspects of its environment.

### 1. The gradual opening up of markets

Although on its market the average increase in demand is below the general average, growth on the textile and clothing market has been significant, and considerably higher than growth on the world goods market in general.<sup>3</sup>

This trend is likely to continue, and Community products will face more competition on the European market. Moreover, the opening up of new markets outside the Community should encourage the Community industry to do more to exploit those markets where the nature of its production is an asset.

For its part, the Community has worked hard to expedite moves to open up its market to textiles from Hungary, Poland and Czechoslovakia. This should not affect the process of adjusting industrial competitiveness to market conditions, particularly in those areas of the Community most dependent on the textile industry. A preliminary attempt to assess the impact on Portugal of this new openness is given in Annex.

### 2. The internal market: an important factor

The internal market will play an important role in improving industrial competitiveness. In future, diversity and competition on the internal market in Europe will encourage the sale of fashion designer goods typical of the textile and clothing industry. To offset this advantage, the disappearance of regional quotas is likely to increase the pressure of competition from countries outside the Community.

*With the establishment of the single market in textiles in 1993, any application of the safeguard clause will have to be Community-wide. Work is still under way to devise solutions for situations of excessive concentration at regional level.*

---

<sup>3</sup> Between 1980 and 1989, the figures were 101% for the former compared with only 53% for the latter.

3. Encouraging more integration with the Mediterranean countries and the countries of Eastern Europe

Intensification of industrial links and economic relations along the north-south and east-west axes constitutes both an opportunity and a challenge. European firms are interested in these countries, to varying degrees, in terms both of markets and of subcontracting and relocating some of their production.

Although their political, administrative and economic situations differ considerably, all these countries will certainly provide opportunities - although again to very different degrees - for the development of industrial cooperation, which will improve the overall competitiveness of these firms on the European and world markets, while allowing the industry to retain its advantages in terms of industrial tradition, entrepreneurial initiative and commercial experience.

*The national and Community public authorities must provide firms with a stable framework in which to develop this cooperation.*

C. PRINCIPLES, OBJECTIVES AND POSSIBLE LINES OF COMMUNITY ACTION

Because the textile and clothing industry plays very different economic roles in the various Member States, its social importance varies. It is essential that these different situations should be properly reflected in a joint Community framework when the industry is being reorganized on a Community scale.

The best balance between structural change and adjustment in terms of employment in the industry, and the type and scale of the associated measures, will also depend on the specific local circumstances and on the priority given by national and regional public authorities to structural change in the industry.

Any changes should also comply with the Community's approach to industrial policy. This approach is based in particular on the need to:

- (I) *maintain a favourable business climate in the form of an efficient market economy where it is primarily up to economic operators to take initiative or responsibility in respect of structural change;*
- (II) *ensure proper application of internal competition rules;*
- (III) *encourage a positive approach to change in order to avoid firms resorting to defensive protectionist measures;*
- (IV) *maintain an open approach to markets and respect for rights and obligations when applying competition and commercial rules at international level.*

The following paragraphs will outline proposals complying with these principles for the various areas of Community action.

1. Commercial policy

The textile industry has always been extremely international and in the last few decades has played a major role in developing international trade. Consequently, optimum distribution of resources and guaranteeing conditions of fair competition are problems which are not confined only to national or Community markets but have to be tackled on a world scale.

In order to create an optimum business climate which will allow economic operators to modernize so as to adjust to new markets and new technologies, certain aspects of commercial policy will have to become major features of the textile industry.

Only if there is a climate of competition at world level will policies to shift all or some of production abroad or to establish international networks finally achieve their objectives.

### 1.1 Helping to open up the markets of non-Community countries (reducing tariff peaks and non-tariff barriers)

Many countries still protect their textile and clothing market by setting extremely high unbound tariffs and by erecting non-tariff barriers (like quantity restrictions, administrative formalities and import deposits). In many cases, such excessively protective measures are not justified by the level of development of the local industry.

In the Uruguay Round, the Community therefore made its offer of gradual integration of the textile industry into GATT contingent upon all the contracting parties gradually opening up their domestic markets.

*The Community will take every opportunity in ongoing and future multilateral and bilateral negotiations to reaffirm this linkage and will strive to obtain effective reduction of tariff barriers (elimination of peaks, substantial reduction and harmonization of tariffs) and non-tariff barriers which limit the scope for exporting Community textile and clothing products.*

### 1.2 Export promotion

Stagnation of internal demand and increasing competition from imports make it desirable to step up exports, particularly to those countries with large and rapidly growing markets. It is important to maintain and indeed to increase the support given in 1991 to attempts by those in the industry to find out about and survey markets outside the Community in general, to identify specific and permanent obstacles to trade, where the Commission has means of pinpointing them, with a view to their removal, and finally to organize trade fairs and exhibitions.

The support given by the European Parliament in granting resources for the promotion of exports by the textile and clothing industry has reinforced the approach taken by the Commission.

To the same end, the Commission and the Member States should also attempt to find ways of improving and integrating existing information systems and support measures already in progress, with particular attention being given to the needs of small firms.

### 1.3 Making firms international

For some years now an increasing number of European firms have been following strategies designed to make their production international so as to improve their competitiveness on all world markets and to maintain activity within the Community based on creativity and "short-circuiting". These strategies are made more difficult by the conditions and restrictions which are often imposed on Community investors in many non-Community countries and by cumbersome administrative procedures which can prevent the expansion of contract processing.

*The Commission must continue with its attempts to find pragmatic solutions to these problems, particularly in the negotiations on Trade Related Investment Measures (TRIMS) in the Uruguay Round.*

The Commission has insisted repeatedly that Member States harmonize their application of outward processing rules and is prepared to discuss any useful ways of improving administrative procedures.

Developing policies for cooperation with the countries of EFTA and Eastern Europe would also provide the Community industry with a more favourable framework for developing these international strategies than in the past.

### 1.4 Measures against dumping and subsidies

As markets become more open and as partners become more competitive, the practices of dumping and granting subsidies tend to become increasingly harmful. The textile and clothing industry is even more vulnerable in that its procedures are generally ill-suited to the specific needs of a sector consisting of large numbers of often very small firms, while the volatile nature of the textile market requires in particular procedures which can be implemented very rapidly.

In the Uruguay Round negotiations the Commission requested a number of amendments to GATT rules, to meet the specific needs of the textile and clothing<sup>1</sup> industry, like the possible use of sampling. The effectiveness of measures against dumping and subsidies also depends on the quality of the complaints which the industry makes to the Commission and the speed with which the whole procedure can be implemented. It is important therefore that the professional organizations help undertakings, particularly small firms, to carry out the procedures required.

*The Commission also expects the Council to give active support in terms of the resources allocated to anti-dumping departments and in terms of the changes to be made to the regulations in the context of the Uruguay Round.*

1.5 Cooperation between customs authorities, particularly in order to combat fraudulent declarations of origin and product descriptions

Although it seems inevitable that trade in textiles will ultimately be included in GATT, it is essential that national and Community authorities apply existing commitments.

With a policy which has to make a distinction between non-member countries in terms of their ability to produce and export very cheaply, it is essential that rules concerning the origin of products are complied with.

The volume of imports covered by falsified certificates of origin is tending to increase despite attempts at prevention.

The Commission therefore proposes to intensify cooperation between the Community's custom authorities in an attempt to put a stop to fraudulent practices concerning the origin of textiles. Following the US example, it will be necessary to carry out more frequent and more searching investigations in the non-Community countries concerned.

In this connection, the support given by the European Parliament for the Textile Anti-Fraud Initiative (TAFI) has provided the resources to step up action against fraud in the textile industry.

1.6 Protection of designs and models

One of the principal ways in which Europe's textile and clothing industry can stand up to competition from low-wage countries is to keep coming up with new designs and models, and new labels. This can be very expensive, whereas technical progress means that designs can be copied very easily and quickly.

Because there is currently no effective legal protection in some countries against pirating collections, the profitability of European firms is suffering more and more.

*For this reason, in the framework of the Uruguay Round TRIPS negotiations, the Community is pushing for better legal protection of labels, designs and models, not only by tightening up the rules but also by improving their implementation in all countries.*

At Community level, the Commission has started a legal process which should improve the current situation by publishing a Green Paper on the legal protection of industrial designs<sup>4</sup> which Member States have been asked to comment on as soon as possible.

1.7 Management of commercial policy (effective application of the measures available)

Under the MFA and the bilateral agreements signed with supplier countries, it is permissible to introduce commercial policy measures, particularly further restrictions, when justified by the market situation.

In recent years, when difficult management problems arise, like application of the safeguard clause, the Member States have always tended to divide into two opposing blocs, which means that there can be no qualified majority. This has made it difficult to maintain a coherent commercial policy for the textile industry.

*In future, the Commission would ask the Member States to demonstrate more Community solidarity in applying safeguard measures in the framework of commercial policy in the textile sector in order to help meet the specific needs of certain areas where the new structural changes are more critically important.*

2. SUPPORT FOR STRUCTURAL CHANGE

2.1 Productive investment: transparency and coherence of aid measures

Public support for productive investment by firms is sometimes seen by national authorities as a necessary contribution to their structural change. Nevertheless, it is important to ensure that public expenditure does not have the effect of restricting competition, which will make structural change more difficult rather than actually help to improve the competitiveness of the regions (cf. communication on industrial policy).

The relatively integrated structure of the industry (particular in those sectors towards the beginning of the production chain) and the large volume of trade within the Community (more than ECU 40 000 million) nevertheless require that particular care should be taken in respect of state aid policy, particularly with regard to the effects this may have on competition within the Community.

---

4 III/F/5131/91 of June 1991.

Such aid is usually granted in accordance with authorized systems which meet the specifications approved by the Commission. Thus the textile industry benefits from schemes designed to promote R&D, innovation, SMEs, etc. In addition, in areas which are eligible for national regional aid, where the industry is largely concentrated, textile companies are eligible for a wide range of aids including aid for investment. However, in some cases, aid for productive investment may affect trade between Member States to an extent which is not compatible with the proper functioning of the common market.

## 2.2 Creating a more favourable environment for structural modernization and staff training

### 2.2.1 Prerequisites: vertical integration, specialization and networks.

These three concepts are models of industrial relations which the European textile and clothing industry has adopted to different degrees to improve its competitiveness in terms of price, quality and performance.

In particular, the "network" concept (which is the key to the success of a large number of production centres) is both an avant-garde industrial solution and a reference for the less developed textile areas because it allows an excellent combination of flexibility and swift response to market conditions and helps to make know-how more widely available.

Apart from production centres which are highly concentrated geographically, another important concept is shifting production to other areas.

This applies, first and foremost, to subcontracting. Some less developed areas of the Community often carry out subcontracting work for parent companies which are several hundred kilometres away.

Improving quality and adjusting production facilities are the main challenges facing small subcontracting firms in the medium term.

*As structures change, it is necessary to encourage closer relations between firms (by improving communications) and to develop technologies better suited to enhanced flexibility in production processes. This has to be supported by progress towards harmonizing specifications and quality standards of intermediate products.*

To this end, it is essential to provide the best possible environment for widespread industrial reorganization. This can be helped in many cases by public support measures (particularly relating to business services and small firms), provided that these measures are properly targeted and tailored to the real needs of the firms concerned.

Public instruments are now available at Community and national level to provide the framework required to improve business competitiveness. The experience gained following reform of the Structural Funds has enabled the local and national authorities and the Commission gradually to refine their approach in order better to target the objectives to be achieved in the future.

*In addition to these measures, and in order to take better account of the specific needs of the textile and clothing industry and the regions heavily dependent on the industry, the Commission intends to give special priority to measures which it proposes to carry out in specific areas, as described in the following paragraphs.*

### 2.2.2 Better information

If measures to improve the business environment are to be effective in meeting needs and providing real help for the sectors targeted, it is essential to provide as much information as possible and to improve communications between economic operators throughout the industry (i.e. all those involved in the economic and social decision-making processes, thus including both sides of industry). This information will be both economic and social (analysis of employment trends and structure).

*This is why the Commission has provided help with the launching and operation of the European Textile and Clothing Observatory set up by industry and commerce representatives.*

This project is based on what is already being done at national and Community level on exchange of and access to information, the pooling of experience and cooperation in compiling and analysing information.

At the same time, it is just as important for public authorities to improve official statistics on the textile and clothing industry.

*The Commission therefore expects the Council to support the proposals made by Eurostat to speed up the rate of progress in compiling industrial and commercial statistics.*

### 2.2.3 Better training for workers

The competitiveness and development of any industry depends principally on the competence of its staff. Nowadays, the textile and clothing industry includes a wide variety of skilled jobs (ranging from designers to computerized production specialists) but has great difficulty in recruiting skilled personnel, principally because of its poor image.

In some areas too, the current level of vocational training in the industry is still inadequate, and large numbers of staff have never received any proper training.

There is an urgent need therefore for a vigorous training campaign in the textile industry in order to keep abreast of and even to move ahead of technological progress.

Measures are particularly required in the following areas:

- (i) advertising and public awareness campaigns to make the industry more attractive;
- (ii) publishing the results of reference pilot schemes across national borders;
- (iii) encouraging mobility between Member States (e.g. of commercial executives);
- (iv) intensive and more effective efforts to promote continuing vocational training.

If these measures are to be properly targeted, it is important to obtain a clear picture of the industry's needs, particularly by means of better dialogue between the various parties concerned (public authorities, workforce and management). There are to be meetings between these various parties in order to obtain a clearer idea of the industry's needs (taking into account the specific needs of regions and sub-sectors).

*The setting up of two new Community programmes, FORCE<sup>5</sup> and EUROFORM<sup>6</sup> could now provide new opportunities in this area. The Commission proposes to use these programmes to encourage the development of transnational measures and to give a Community dimension to measures under the Social Fund.*

#### 2.2.4 Intensification and better targeting of research

As links between firms multiply and become more complex there is an increasing need for extensive technological support in order in particular:

- 
- 5 FORCE: Community action programme designed to improve the quality and availability of continuous vocational training in the Community and, in particular, to improve the competitiveness of firms by improving the skills of their employees. Council Decision 90/267/EEC - OJ L 156 of 21 June 1990.
  - 6 EUROFORM: Community initiative concerning new qualifications, new skills and new employment opportunities induced by the completion of the internal market and technological change through the Structural Funds. Commission Decision - OJ C 327 of 29 December 1990.

- (i) to automate and use robots for certain highly labour-intensive tasks;
- (ii) to make industrial processes more flexible;
- (iii) to make full use of technology to improve quality (e.g. automatic fault detection);
- (iv) to develop basic methods of improving logistics;
- (v) to protect the environment.

In many cases it is a question of developing technologies which could be applied by a wide range of users. In addition, therefore, it is essential to ensure that results of research and know-how are disseminated and that staff are trained in the new techniques. The Commission should consider measures to take full advantage of research designed to achieve these aims. This will require full cooperation between the different links in the product chain and suppliers of equipment and technology.

This cooperation could lead to a common definition of interest and strategy in terms of demand for technology and operational aspects. The success of this common effort will depend to a large extent on the gradual concentration and intensification of R&D on a limited number of projects selected by users, industrialists and suppliers.

Recent implementation of the third framework research and development programme provides a more up-to-date basis in terms of research topics and methods of participation (e.g. multisectoral consortia in the form of EEIGs). One of the "targeted projects" which could receive Community support is a project on textiles/clothing/distribution.

The Commission also intends to pursue its efforts to use specific measures to increase:

- (i) the level of participation of small firms in research programmes;
- (ii) interaction between the various groups involved, particularly users, producers and research institutes;
- (iii) cooperation between research institutes working in the textile and clothing industry.

Priority topics and research objectives will be identified by a continuous process of exchange of information and results between industry and research centres (including universities) and through cooperation between national and Community R&D programmes (Brite/Euram, ESPRIT, SPRINT, EUREKA, etc.).

2.2.5 A basic requirement: to encourage and improve communication

For optimum organization of transfers of materials between the different links in the production chain, logistical systems have to be tailored to ensure prompt delivery, and to cope with frequent changes and short deadlines. This means that communication will be increasingly important.

Improving communications is not a matter solely of developing physical networks but also of developing a language for data exchange and of standardizing this language.

In its efforts to promote an effective business services policy, the Commission has in the past used the Structural Funds, particularly for the STAR and TELEMATIQUE programmes, and other specific programmes to support projects in this area and will be providing even more support in the future.

A good way of making subcontracting more efficient would be to have an integrated communication system between principals and processing firms designed to break down barriers between Member States and to encourage more contact.

*The Commission will continue with its preparatory work to consider the potential for such schemes.*

2.3 Using diversification to help with reconversion

2.3.1 Creating new opportunities

The industry's efforts to adjust to the new commercial and structural conditions are bound to have major social repercussions, particularly in those areas which are most heavily dependent on the industry and most exposed to international competition. The textile and clothing industry currently employs some 3 million workers, since losing 40% of its workforce over the last 15 years (particularly in Northern Europe). The impact on employment of measures to revive the industry will be even greater where the industry is concentrated in specific regions of the Community which tend to be dominated by a single industry. A high proportion of the industry's workforce consists of women, who will be disadvantaged by the employment opportunities mentioned above. They are also unlikely to benefit from retraining measures aimed principally at the skilled labour force.

*Modernizing undertakings is the first step in meeting these challenges, but it will also be necessary to diversify to provide job opportunities for surplus manpower.*

Because of the special nature of the labour force and the specific categories (women and old people) which will be affected by the changes, there will have to be more extensive social dialogue to come up with the most acceptable solutions and those best suited to local circumstances, and to encourage forms of investment which take the best possible account of the special skills of the labour force and local training facilities.

These concerns should not however lead to the long-term support of non-profitable undertakings. Various examples have shown that this can only cause very serious disruption at local level between supply and demand. On the other hand, encouraging these undertakings to leave the market will provide better commercial opportunities for healthy firms and encourage them to make the necessary investment.

### 2.3.2 A new Community initiative for textile areas

As a first sign of its commitment of 30 September (see introduction), the Commission is proposing at the same time to submit a number of practical measures. In fact, because the problems of sectoral adjustment and their regional implications are so considerable, the Commission is proposing to reinforce Structural Fund measures to help with the adjustment of industrial structures in those regions which are heavily dependent on the textile and clothing industry. Studies still in progress indicate that this could be done in three ways:

- (a) for those Member States who so wish, by adjusting their Community support frameworks (CSFs) in accordance with the current rules on flexibility, by increasing financial resources for diversification of activities in the region and by restructuring their textile and clothing industry;
- (b) by funding pilot schemes in preparation for a Community initiative;
- (c) by launching, as soon as possible, a Community initiative to help regions heavily dependent on the textile and clothing industry which will allow the financing of operational programmes in 1993.

The specific aims of this initiative will be:

- (i) to encourage rapid diversification of economic activities to make them less dependent on the textile and clothing industry;
- (ii) to help with the adjustment of profitable firms in the industry by adopting across-the-board measures aimed at SMEs.

It is the Commission's intention that in 1993 the RETEX programme resources in the existing overall budgets should be added to the amounts at present available under the CSFs.

These financial measures should make small firms in regions heavily dependent on the textile and clothing industry more dynamic, principally as a result of measures to improve the industrial environment in which they operate. Measures might include, for example, improving design skills; pursuing a policy of quality; computer-aided production, marketing and internal company organization; help with the setting up of local business groupings and cooperation schemes; vocational training programmes; and aid to improve the physical environment of firms.

### CONCLUSIONS

The textile and clothing industry plays an essential role in the Community's industrial structure in terms of market potential, production and employment, and also in terms of experience and creativity.

The industry is now facing challenges which will force it to make changes that are likely to be considerable and will require real solidarity within the Community.

This solidarity will be evident in gradual planned changes to commercial policy which will allow the Community industry to make the most of its strong points.

Systematic and complementary efforts by national and Community public authorities will be required to establish and reinforce a business climate which will facilitate structural changes and provide reassurance for companies undergoing these changes.

The Commission intends to coordinate its various instruments and policies to provide support for industrial development and structural change in the Community textile and clothing industry and to speed up the economic diversification of those regions which are heavily dependent on the textile and clothing industry.

ANNEXE

First assessment of the effects on the Portuguese textile industry of the progressive opening of the Community market to certain textile products from Hungary, Poland and Czechoslovakia

The Community's new policies with regard to Central European countries will lead to European agreements. In this context specific arrangements are being negotiated for textile products from Hungary, Poland and Czechoslovakia.

The negotiating mandate approved by the General Affairs Council on 30 September foresees particular arrangements for:

- a progressive elimination, in 6 years starting from 1 January 1992, of customs duties applied by the EC;
- an elimination of non-tariff measures within a time-frame which would be half of the schedule to be agreed in the Uruguay Round negotiations. Nevertheless, this time-frame will not be less than a period of 5 years starting from 1 January 1993.

Following the decision of the General Affairs Council on 30 September 1991, the Commission now presents a first appreciation of the consequences for the Portuguese industry of this increased access.

First Assessment

1. The negotiating mandate recently adopted by the Council will guarantee increasingly progressive access to the Community market. So far, independently of the results of future negotiations, the opening of the Community market vis-à-vis Hungary, Poland and Czechoslovakia consists:
  - for 1990/1991 of quota increases without modifications of customs duties in the frame of the PHARE exercise
  - for 1992 of further quota increases and liberalisation of restrictions in the frame of renegotiated bilateral textile agreements.

Regulation as from 1993 will very much depend on the results of the textile negotiations in the Uruguay Round. In this context not only the time frame (that will in fact be more favorable for the above-mentioned three countries) but also the economic content of the stages have yet to be formulated for the phasing-out of trade restrictions. The progressive integration of textile products into the GATT and the increase of export possibilities to the EC market for the three Eastern European countries in question will be linked to the degree of market access also provided for textile exporting developing countries according to their various stages of development.

2. By now any effects of higher export possibilities for the three countries could only be broadly identified in a quantitative way for 1990 and the first 6 months 1991, for which certain statistical data are already available. Any further effects could only be analysed later, taking into account:
- the evolution of the competitiveness of the textile industry;
  - the development of Outward Processing Traffic (OPT) and the greater facilities given in the frame of the agreements negotiated with those 3 countries;
  - the progressive speeding-up of the elimination of quantitative limits which could result from the Uruguay Round.

As a matter of fact, imports into the EC of textiles and clothing originating in Poland, Hungary and Czechoslovakia in 1990 and in the first 6 months 1991 increased much more than comparable imports from all third countries taken together. However, most of the three countries' quotas 1990 were not utilised more than 60-70% and the quota utilisation in the first half of 1991 for most products has been much less than 50%. This clearly indicates that these countries were not yet in a position fully to utilise their export possibilities into the EC. Very much will depend on the capability of these countries to reorganise and modernise their economies to fulfil OPT operations to improve their competitiveness on the European market and to find markets for their products before it can definitely be assessed to what extent the additional market access will result in a measurable effect on the European industry as a whole.

3. Regarding any particular effects of increased imports from those three countries on Portugal, the following aspects have to be considered:

- The share of the three countries in total EC imports of textiles and clothing is only 4,6% and in Portugal's total imports even marginal (0,5%).
- It is therefore likely that future development will not take effect through direct exports to Portugal, but rather will have an indirect effect through increased exports to the other Member States thereby creating a potential for increased competition for Portuguese exports.
- As all this would mainly happen after the implementation of the Internal Market in 1992, it may be rather difficult to trace and quantify the particular impact of textile products from among the three countries separately from textile products originating all over the world and being traded in free circulation.
- Moreover, it will be necessary to analyse in more detail to what extent imported textile products are in direct competition with those products being exported from Portugal to other Member States. It appears in fact that these countries would have to develop similar means of production to the Portuguese production base (above all for the middle and lower ranges of products).

However, all this does not exclude possible measurable effects on certain products or regional markets within the Community. The Commission will carefully observe future developments and accomplish its findings. Only later can a more pertinent and complete appreciation be given in the light of the Portuguese plan.

# DOCUMENTS

EN

10

---

Catalogue number : CB-CO-91-474-EN-C

ISBN 92-77-76851-7

---

Office for Official Publications of the European Communities  
L-2985 Luxembourg